

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | | |
|---|--------------|-----------------|--------------------------------------|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name | | County |
| Fiscal Year End | Opinion Date | | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--------------------------|--|----------------|-----|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) | | Telephone Number | | |
| Street Address | | City | State | Zip |
| Authorizing CPA Signature | Printed Name | | License Number | |

CASEVILLE HOUSING COMMISSION

Financial Statements

March 31, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
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Board of Commissioners
Caseville Commission
6905 N. Caseville Road
Caseville, Michigan 48725

Independent Auditor's Report

I have audited the financial statements of the Caseville Housing Commission's Business Type Activities as of and for the year ended March 31, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Caseville Housing Commission as of March 31, 2007, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 24, 2007 on my consideration of the Caseville Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

July 24, 2007

This discussion and analysis of the Caseville Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

| | <u>Year 2007</u> | <u>Year 2006</u> |
|------------------------|------------------|------------------|
| Operating Subsidies | \$ 55,253 | \$ 53,373 |
| Capital Projects Funds | 11,614 | 11,080 |

Comparison of the current year to the past and discussion of significant changes as follows:

| | <u>Year 2007</u> | <u>Year 2006</u> | <u>Net Change</u> |
|---------------------------|------------------|------------------|-----------------------|
| Cash & cash equivalents | \$ 8,333 | \$ 50,461 | \$ (42,128) |
| Accounts Receivable | 4,191 | 470 | 3,721 |
| Investments | | | |
| (Restricted/Unrestricted) | 173,506 | 142,991 | 30,515 |
| Prepaid Expenses | 6,814 | 6,256 | 558 |
| Fixed Assets, prior to | | | |
| Depreciation | 1,800,924 | 1,794,504 | 6,420 |
| Total Liabilities | 33,220 | 41,680 | (8,460) |
| Net Assets | 1,172,347 | 1,225,634 | (53,287) |

| | <u>Year 2007</u> | <u>Year 2006</u> | <u>Net Change</u> |
|--------------------------|------------------|------------------|-------------------|
| Revenues: | | | |
| Tenant Revenues | 107,244 | 104,960 | 2,284 |
| HUD Grants | 66,867 | 64,453 | 2,414 |
| Expenses: | | | |
| Administrative | 81,710 | 79,621 | 2,089 |
| Tenant Services | 2,443 | 2,523 | (80) |
| Utilities | 28,115 | 25,079 | 3,036 |
| Maintenance & Operations | 49,131 | 45,796 | 3,335 |
| General Expenses | <u>16,689</u> | <u>16,524</u> | 165 |
| Total Operating Expenses | <u>178,088</u> | <u>169,543</u> | 8,545 |
| Depreciation Expense | 60,833 | 60,202 | 631 |
| Net Loss | (53,287) | (52,498) | 789 |

The Commission's cash position decreased during the year, our accounts receivable increased, our investments increased; our fixed assets before depreciation increased, total liabilities decreased, and Net Assets decreased. HUD grants remained virtually unchanged, general expenses in total increased, depreciation increased marginally, and net loss was decreased marginally. Net assets decreased in the amount of the loss \$ 53,287.

Cash was used to increase investments, (\$ 30,515), and decrease accounts payable (\$ 8,460). The increase in accounts receivable is a result of booking the remaining HUD receivable for operating subsidies in the amount of \$ 3,393. Fixed assets increased as described later in this discussion. The decrease in liabilities was due primarily to paying a year of PILOT so that only the current year remains; in the prior year two years accrual remained at year end.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. Tenant rents and HUD grants increased 3% for the year, within expectations.

Total expenses before depreciation increased 5% for the year; the largest increase was water (\$ 2,698, 14%), due to charges for a new filtration system by the city of Caseville, and an increase in Maintenance cost due to an unusual amount of turnovers for the year (unit renovations 10 for the year); in a normal year, we experience less than 5 units turned over.

The Commission provided the following housing for low to moderately low income families:

| | <u>Year 2007</u> | <u>Year 2006</u> |
|-------------------------|------------------|------------------|
| Low Rent Public Housing | 47 | 47 |

General Fund Budgetary Highlights

The Commission approved an operating budget on May 18, 2007 for the fiscal year ending March 31, 2007; we did not have an occasion to amend the budget during the year. The significant changes between budget and actual are as follows:

| | <u>Budget</u> | <u>Actual</u> | <u>Increase/ (Decrease)</u> |
|-------------------------------|---------------|---------------|-----------------------------|
| Total Operating Profit (Loss) | (54,127) | (53,287) | 840 |

The only difference between actual and budget were contract cost \$ 198, and protective services \$ 642.

Entity Wide Capital Assets

The fixed assets increased \$ 6,420 prior to depreciation. The additions included replacing roofs on two tenant units which completed the roofing repairs.

Commission's Position

The Commission is concerned with the increase in Federal unfunded mandates such as project based accounting, asset management, and uncertainty in future funding with the new subsidy calculations and cuts in other federal programs. The uncertainty makes budgeting and planning difficult, and yet, we must continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

The Commission intends on using our Capital Fund Projects (CFP) to replace furnaces in all the tenant units. We intend on using the balance of the 2007 and 2008 CFP to pay for the replacements.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Deanne Prutchick, Acting Executive Director
6925 N. Caseville Road
Caseville, Michigan 48725

CASEVILLE HOUSING COMMISSION
Statement of Net Assets
March 31, 2007

ASSETS

C-3219

CURRENT ASSETS

| | | | |
|---|----|--------------|---------|
| Cash | \$ | 8,333 | |
| Accounts Receivable, net of allowance for doubtful accounts \$ 203 | | 110 | |
| Accounts Receivable- HUD | | 3,393 | |
| Accrued Interest Receivable | | 688 | |
| Investments | | 173,506 | |
| Prepaid Expenses | | <u>6,814</u> | |
| Total Current Assets | \$ | | 192,844 |

NON CURRENT ASSETS

| | | | |
|--------------------------------------|----|------------------|------------------|
| Land | \$ | 75,000 | |
| Buildings | | 1,641,417 | |
| Furniture, Equipment- Dwellings | | 9,668 | |
| Furniture, Equipment- Administrative | | 59,728 | |
| Construction in Progress | | 15,111 | |
| Accumulated Depreciation | | <u>(788,201)</u> | |
| Total Non Current Assets | | | <u>1,012,723</u> |

TOTAL ASSETS \$ 1,205,567

CASEVILLE HOUSING COMMISSION
Statements of Net Assets
March 31, 2007

LIABILITIES

C-3219

CURRENT LIABILITIES

| | | | |
|------------------------------------|----|---------------|-----------|
| Accounts Payable | \$ | 7,784 | |
| Accrued Wages & Payroll Taxes | | 5,001 | |
| Accounts Payable-Other Governments | | 7,913 | |
| Deferred Revenue | | 87 | |
| Tenants Security Deposit | | <u>12,435</u> | |
| <u>Total Liabilities</u> | | | \$ 33,220 |

NET ASSETS

| | | | |
|--|----|----------------|---------------------|
| Investment in Fixed Assets, net of related Debt | \$ | 1,012,724 | |
| Unrestricted Net Assets | | <u>159,623</u> | |
| <u>Total Net Assets</u> | | | \$ <u>1,172,347</u> |
| <u>TOTAL LIABILITIES & NET ASSETS</u> | | | \$ <u>1,205,567</u> |

The Accompanying Notes are an Integral part of the Financial Statements

CASEVILLE HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended March 31, 2007

OPERATING REVENUE

| | | |
|--------------------------------|--------------|------------|
| Tenant Rental Revenue | \$ 107,244 | |
| HUD Grants | 60,763 | |
| Interest Income | 6,604 | |
| Other Income | <u>4,919</u> | |
| <u>Total Operating Revenue</u> | | \$ 179,530 |

OPERATING EXPENSES

| | | |
|---------------------------------|---------------|----------------|
| Administrative | \$ 81,710 | |
| Tenant Services | 2,443 | |
| Utility Expenses | 28,115 | |
| Ordinary Maintenance | 49,131 | |
| General Expenses | <u>16,689</u> | |
| <u>Total Operating Expenses</u> | | <u>178,088</u> |
| <u>Operating Income (Loss)</u> | | \$ 1,442 |

NONOPERATING REVENUE (EXPENSES)

| | | |
|---|-----------------|-------------|
| Depreciation Expenses | <u>(60,833)</u> | |
| <u>Income (Loss) before Contributions</u> | | \$ (59,391) |

CAPITAL CONTRIBUTIONS

| | | |
|------------------------------|--------------|---------------------|
| | <u>6,104</u> | |
| <u>Changes in Net Assets</u> | | \$ (53,287) |
| Total Net Assets- Beginning | | <u>1,225,634</u> |
| Total Net Assets- Ending | | \$ <u>1,172,347</u> |

The Accompanying Notes are an Integral part of the Financial Statements

CASEVILLE HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended March 31, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|---------------|
| Receipts from Customers | \$ 106,979 |
| Payments to Suppliers | (149,965) |
| Payments to Employees | (71,292) |
| HUD Grants | 66,867 |
| Other Receipts (Payments) | <u>11,523</u> |
| Net Cash Provided (Used) by Operating Activities | \$ (35,888) |

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

| | |
|---|-------------------|
| Purchases of Capital Assets | \$ <u>(6,420)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ (42,308) |
| Balance- Beginning of Year | <u>50,461</u> |
| Balance- End of Year | \$ <u>8,333</u> |

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

| | |
|---|--------------------|
| Net Profit or (Loss) | \$ (53,287) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 60,833 |
| Changes in Assets (Increase) Decrease: | |
| Receivables (Gross) | (3,721) |
| Investments | (30,515) |
| Prepaid Expenses | (558) |
| Changes in Liabilities Increase (Decrease): | |
| Accounts Payable | (1,190) |
| Accrued Wages & Payroll Taxes | 1,085 |
| Compensated Absences | (2,235) |
| Accounts Payable- Other Governments | (7,459) |
| Security Deposits | (154) |
| Deferred Revenue | <u>1,313</u> |
| Net Cash Provided by Operating Activities | \$ <u>(35,888)</u> |

The Accompanying Notes are an Integral part of the Financial Statements

CASEVILLE HOUSING COMMISSION
Notes to Financial Statements
March 31, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Caseville Housing Commission, Caseville, Michigan, (Commission) was created by ordinance of the city of Caseville. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

| | | |
|----------|------------------|----------|
| MI 191-1 | Low rent program | 47 units |
|----------|------------------|----------|

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component units exist.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 31, 1989, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

| | |
|----------------------------|------------|
| Buildings and Improvements | 40 years |
| Equipment | 3-10 years |

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

| | |
|-------------------------------|-----------------|
| General Fund Checking Account | \$ 8,233 |
| Petty Cash | <u>100</u> |
| Financial Statement Total | <u>\$ 8,333</u> |

Investments:

Certificates of Deposit:

| | |
|---------------------------------------|-------------------|
| Unrestricted | \$ 157,273 |
| Restricted- Tenants Security Deposits | <u>16,233</u> |
| | <u>\$ 173,506</u> |

Notes to the Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

| | <u>Categories</u> | | | <u>Carrying</u> | <u>Market</u> |
|----------------|-------------------|----------|----------|-------------------|-------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Amount</u> | <u>Value</u> |
| Cash: | | | | | |
| Checking A/C's | \$ 8,233 | \$ | \$ | \$ 8,233 | \$ 8,233 |
| Petty Cash | <u>100</u> | | | <u>100</u> | <u>100</u> |
| Total Cash | \$ <u>8,333</u> | \$ | \$ | \$ <u>8,233</u> | \$ <u>8,233</u> |
| Investments: | | | | | |
| C/D's | \$ <u>173,506</u> | \$ | \$ | \$ <u>173,506</u> | \$ <u>173,506</u> |

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

| | <u>Beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>End</u> |
|------------------------------------|---------------------|--------------------|------------------|---------------------|
| | <u>of Year</u> | | | <u>of Year</u> |
| Land | \$ 75,000 | \$ | \$ | \$ 75,000 |
| Buildings | 1,636,106 | 5,311 | | 1,641,417 |
| Furniture & Equipment-Dwellings | 9,668 | | | 9,668 |
| Furniture & Equipment-Admin | 58,619 | 1,109 | | 59,728 |
| Leasehold Improvements | <u>15,111</u> | | | <u>15,111</u> |
| | \$ 1,794,504 | \$ 6,420 | \$ | \$ 1,800,924 |
| Less Accumulated Depreciation | <u>727,368</u> | <u>60,833</u> | | <u>788,201</u> |
| | \$ <u>1,067,136</u> | \$ <u>(54,413)</u> | \$ <u>0</u> | \$ <u>1,012,723</u> |

Notes to Financial Statements- continued

Note 4: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

| <u>Types of Policies</u> | <u>Coverage's</u> |
|---|-------------------|
| Property | \$ 6,930,000 |
| General Liability | 1,000,000 |
| Automobile Liability | 1,000,000 |
| Dishonesty Bond | 1,000,000 |
| Worker's Compensation and other riders: Coverage's required by the State of Michigan | |

Note 5: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 6: Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Caseville Housing Commission

31-Mar-07

MI-191

| | Account Description | Low Rent 14.850 | Capital Projects Funds 14.872 | TOTAL |
|-------------|---|-----------------|-------------------------------|-----------|
| Line Item # | | | | |
| | ASSETS: | | | |
| | CURRENT ASSETS: | | | |
| | Cash: | | | |
| 111 | Cash - unrestricted | 8,333 | | 8,333 |
| 112 | Cash - restricted - modernization and developmer | | - | - |
| 113 | Cash - other restrictec | | | - |
| 114 | Cash - tenant security deposit | - | - | - |
| 100 | Total cash | 8,333 | - | 8,333 |
| | Accounts and notes receivables | | | |
| 121 | Accounts receivable - PHA project | | | - |
| 122 | Accounts receivable - HUD other project | 3,393 | - | 3,393 |
| 124 | Accounts receivable - other governmen | - | | - |
| 125 | Accounts receivable - miscellaneou | - | - | - |
| 126 | Accounts receivable- tenants - dwelling reni | 313 | | 313 |
| 126.1 | Allowance for doubtful accounts - dwelling rent | (203) | | (203) |
| 126.2 | Allowance for doubtful accounts - othe | - | | - |
| 127 | Notes and mortgages receivable- curren | | | - |
| 128 | Fraud recovery | | | - |
| 128.1 | Allowance for doubtful accounts - fraud | | | - |
| 129 | Accrued interest receivabl | 688 | | 688 |
| 120 | Total receivables, net of allowances for doubtful account | 4,191 | - | 4,191 |
| | Current investments | | | - |
| 131 | Investments - unrestricted | 157,273 | | 157,273 |
| 132 | Investments - restrictec | 16,233 | | 16,233 |
| 142 | Prepaid expenses and other asset | 6,814 | - | 6,814 |
| 143 | Inventories | - | - | - |
| 143.1 | Allowance for obsolete inventorie | - | - | - |
| 144 | Interprogram - due fron | - | - | - |
| 146 | Amounts to be providec | | | - |
| 150 | TOTAL CURRENT ASSETS | 192,844 | - | 192,844 |
| | NONCURRENT ASSETS: | | | |
| | Fixed assets: | | | |
| 161 | Land | 75,000 | - | 75,000 |
| 162 | Buildings | 1,636,105 | 5,312 | 1,641,417 |
| 163 | Furniture, equipment & machinery - dwelling | 9,668 | - | 9,668 |
| 164 | Furniture, equipment & macinery - admininstratio | 58,936 | 792 | 59,728 |
| 165 | Leasehold improvement: | 15,111 | - | 15,111 |
| 166 | Accumulated depreciator | (787,635) | (566) | (788,201) |
| 160 | Total fixed assets, net of accumulated depreciatio | 1,007,185 | 5,538 | 1,012,723 |
| 171 | Notes and mortgages receivable - non-curren | | | - |
| 172 | Notes and mortgages receivable-non-current-past du | | | - |
| 174 | Other assets | | | - |
| 175 | Undistributed debit: | | | - |
| 176 | Investment in joint venture: | | | - |
| 180 | TOTAL NONCURRENT ASSETS | 1,007,185 | 5,538 | 1,012,723 |
| 190 | TOTAL ASSETS | 1,200,029 | 5,538 | 1,205,567 |

| | | | | |
|-------|---|------------------|--------------|------------------|
| | LIABILITIES AND EQUITY: | | | |
| | LIABILITIES: | | | |
| | CURRENT LIABILITIES | | | |
| 311 | Bank overdraft | | | - |
| 312 | Accounts payable ≤ 90 days | 7,784 | - | 7,784 |
| 313 | Accounts payable > 90 days past due | | - | - |
| 321 | Accrued wage/payroll taxes payable | 5,001 | - | 5,001 |
| 322 | Accrued compensated absence | - | - | - |
| 324 | Accrued contingency liability | | | - |
| 325 | Accrued interest payable | | | - |
| 331 | Accounts payable - HUD PHA program | | | - |
| 332 | Accounts Payable - PHA Project | | | |
| 333 | Accounts payable - other government | 7,913 | - | 7,913 |
| 341 | Tenant security deposits | 12,435 | - | 12,435 |
| 342 | Deferred revenues | 87 | - | 87 |
| 343 | Current portion of Long-Term debt - capital project | | - | - |
| 344 | Current portion of Long-Term debt - operating borrowing | | | - |
| 345 | Other current liabilities | | | - |
| 346 | Accrued liabilities - other | - | | - |
| 347 | Inter-program - due to | - | - | - |
| 310 | TOTAL CURRENT LIABILITIES | 33,220 | - | 33,220 |
| | NONCURRENT LIABILITIES: | | | |
| 351 | Long-term debt, net of current- capital project | | | - |
| 352 | Long-term debt, net of current- operating borrowing | | | - |
| 353 | Noncurrent liabilities- other | - | | - |
| 350 | TOTAL NONCURRENT LIABILITIES | | - | - |
| 300 | TOTAL LIABILITIES | 33,220 | - | 33,220 |
| | EQUITY: | | | |
| 501 | Investment in general fixed asset | | | - |
| | Contributed Capital: | | | |
| 502 | Project notes (HUD) | | | - |
| 503 | Long-term debt - HUD guarantees | - | - | - |
| 504 | Net HUD PHA contributions | - | | - |
| 505 | Other HUD contributions | | | - |
| 507 | Other contributions | - | | - |
| 508 | Total contributed capital | - | - | - |
| 508.1 | Invested in Capital Assets, Net of Related Debt | 1,007,186 | 5,538 | 1,012,724 |
| | Reserved fund balance | | | - |
| 509 | Reserved for operating activities | | | - |
| 510 | Reserved for capital activities | - | | - |
| 511 | Total reserved fund balance | - | - | - |
| 512 | Undesignated fund balance/retained earnings | - | - | - |
| 512.1 | Unrestricted Net Asset | 159,623 | | 159,623 |
| 513 | TOTAL EQUITY | 1,166,809 | 5,538 | 1,172,347 |
| 600 | TOTAL LIABILITIES AND EQUITY | 1,200,029 | 5,538 | 1,205,567 |

- - -

Caseville Housing Commission

31-Mar-07

MI-191

| Combining Income Statement | | Low Rent 14.850 | Capital Projects Funds 14.872 | TOTAL |
|----------------------------|---|-----------------|----------------------------------|---------|
| Line Item # | | | | |
| | REVENUE: | | | |
| 703 | Net tenant rental revenue | 107,244 | | 107,244 |
| 704 | Tenant revenue - other | - | - | - |
| 705 | Total tenant revenue | 107,244 | - | 107,244 |
| 706 | HUD PHA grants | 55,253 | 11,614 | 66,867 |
| 708 | Other government grants | | | - |
| 711 | Investment income - unrestricted | 6,604 | - | 6,604 |
| 712 | Mortgage interest income | - | | - |
| 714 | Fraud recovery | | | - |
| 715 | Other revenue | 4,919 | | 4,919 |
| 716 | Gain or loss on the sale of fixed asset | | | - |
| 720 | Investment income - restricted | | | - |
| 700 | TOTAL REVENUE | 174,020 | 11,614 | 185,634 |
| | EXPENSES: | | | |
| | Administrative | | | |
| 911 | Administrative Salaries | 52,692 | - | 52,692 |
| 912 | Auditing Fees | 2,500 | | 2,500 |
| 913 | Outside management fee | | | - |
| 914 | Compensated absence | (2,235) | | (2,235) |
| 915 | Employee benefit contributions-administrative | 15,226 | - | 15,226 |
| 916 | Other operating administrative | 13,527 | - | 13,527 |
| | Tenant services | | | |
| 921 | Tenant services - salaries | - | - | - |
| 922 | Relocation costs | | - | - |
| 923 | Employee benefit contributions- tenant service | - | - | - |
| 924 | Tenant services - other | 2,443 | - | 2,443 |
| | Utilities | | | |
| 931 | Water | 18,136 | - | 18,136 |
| 932 | Electricity | 5,177 | - | 5,177 |
| 933 | Gas | 4,802 | - | 4,802 |
| 934 | Fuel | | | - |
| 935 | Labor | | | - |
| 937 | Employee benefit contributions- utilities | | | - |
| 938 | Other utilities expense | - | | - |
| | Ordinary maintenance & operation | | | |
| 941 | Ordinary maintenance and operations - labor | 18,600 | - | 18,600 |
| 942 | Ordinary maintenance and operations - materials & other | 7,670 | - | 7,670 |
| 943 | Ordinary maintenance and operations - contract cost | 20,025 | - | 20,025 |
| 945 | Employee benefit contributions- ordinary maintenance | 2,836 | - | 2,836 |
| | Protective services | | | |
| 951 | Protective services - labor | | | - |

[illegible]

CASEVILLE HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2007

The prior audit of the Caseville Housing Commission for the period ended March 31, 2006, did not contain any audit findings

CASEVILLE HOUSING COMMISSION
Report on Compliance Applicable to
Non Major HUD Program
March 31, 2007

I have audited the financial statements of Caseville Housing Commission, Caseville Michigan, as of and for the year ended March 31, 2007, and have issued my report dated July 24, 2007.

In connection with my audit and with my consideration of the Commission's internal control used to administer HUD grants, I selected certain transactions applicable to the nonmajor HUD programs for the year ended March 31, 2007; I performed auditing procedures to test compliance with the requirements governing the Commission's grants. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Commission's compliance with those requirements. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failures to follow the specific requirements referred to above that caused me to conclude that the misstatements resulting from those failures are material to the Commission's grants. I did not discover material instances, however, did find control deficiencies that require disclosure. The results of my tests and the instances of noncompliance are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
Hemlock, Michigan
July 24, 2007

CASEVILLE HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2007

I have audited the financial statements of Caseville Housing Commission, Caseville, Michigan, as of and for the year ended March 31, 2007, and have issued my report thereon dated July 24, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Caseville Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: finding 07-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Caseville Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Caseville Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
Hemlock, Michigan
July 24, 2007

CASEVILLE HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2007

1) Summary of Auditor's Results:

Programs:

| | <u>Major Program</u> | <u>Non Major Program</u> |
|---------------------------|----------------------|--------------------------|
| Low income Public Housing | | X |
| Capital Projects Funds | | X |

Opinions:

General Purpose Financial Statements-

Unqualified

| | | |
|-----------------------------|-----------|------------------|
| Material weakness(es) noted | _____ Yes | _____ X _____ No |
|-----------------------------|-----------|------------------|

| | | |
|-------------------------------|-----------|------------------|
| Reportable condition(s) noted | _____ Yes | _____ X _____ No |
|-------------------------------|-----------|------------------|

| | | |
|---|-----------|------------------|
| Non Compliance material to financial statements noted | _____ Yes | _____ X _____ No |
|---|-----------|------------------|

Report on compliance for Federal programs-

Qualified

| | | |
|-----------------------------|-----------|------------------|
| Material weakness(es) noted | _____ Yes | _____ X _____ No |
|-----------------------------|-----------|------------------|

| | | |
|-------------------------------|-------------------|----------------|
| Reportable condition(s) noted | _____ X _____ Yes | _____ _____ No |
|-------------------------------|-------------------|----------------|

| | | |
|---|-----------|------------------|
| Non Compliance material to financial statements noted | _____ Yes | _____ X _____ No |
|---|-----------|------------------|

Thresholds

Dollar limit used to determine type A & B programs- \$ 300,000

| <u>Name of Federal Program</u> | <u>Major Program</u> | <u>Questioned Costs</u> | <u>Audit Finding Number</u> |
|--------------------------------|----------------------|-------------------------|-----------------------------|
| Low Rent Program | No | None | 07-1 |
| Capital Fund Project | No | None | None |

CASEVILLE HOUSING COMMISSION
Schedule of Findings
March 31, 2007

The following finding of the Caseville Housing Commission, for the year ended March 31, 2007, were discussed with the Acting Executive Director, Ms. Deanne Prutchick, in an exit interview conducted July 24, 2007.

Finding 1: Tenant Lease Discrepancies

The Commission's lease is month to month; the Public Housing Guidebook issued by HUD in 2004 requires annual tenant leases.

Recommendation

I recommend the Commission change it's leases to be annual versus month to month, to be in compliance with HUD requirements.

Reply

The lease has been changed to an annual lease.